

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 166 – HB 1155

April 8, 2009

SUMMARY OF AMENDMENTS (005490, 006131): Amendment 005490 creates a wine direct shipper license to allow a wine manufacturer or supplier licensed in Tennessee or in any other state to ship up to nine liters of wine per month, and up to 27 liters per year directly to a Tennessee resident. Any shipper licensed by the state must hold a federal basic permit pursuant to the Federal Alcohol Administration Act. Creates a Class E felony, punishable by fine only, for shipping wine into the state without a license. Amendment 006131 adds language to the bill establishing that the provisions of the bill are not intended to diminish the three-tiered scheme for alcoholic beverage regulation in Tennessee.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Net Impact - \$4,668,200 /General
Fund/FY09-10
Net Impact - \$9,516,000 /General
Fund/FY10-11 and Subsequent Years

\$150,000/ABC Fund/FY09-10
\$75,000/ABC Fund/FY10-11 and
Subsequent Years

Increase State Expenditures – \$37,600/One-Time
\$33,800/Recurring

Increase Local Revenue – \$1,125,000/FY09-10
\$2,280,000/FY10-11 and
Subsequent Years

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

**Increase State Revenue – Net Impact - \$3,888,200 /General
Fund/FY09-10**

**Net Impact - \$7,926,000 /General
Fund/FY10-11 and Subsequent Years**

\$150,000/ABC Fund/FY09-10

**\$75,000/ABC Fund/FY10-11 and
Subsequent Years**

**Increase State Expenditures – \$37,600/One-Time
\$33,800/Recurring**

**Increase Local Revenue – \$937,500/FY09-10
\$1,900,000/FY10-11 and
Subsequent Years**

Assumptions applied to amendments:

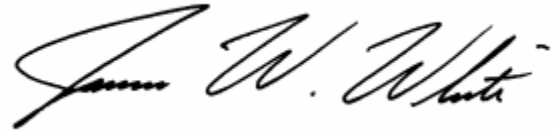
- A one-time increase in state expenditures of \$32,800 for systems changes required by the Department of Revenue.
- A recurring increase in state expenditures of \$200 for annual systems changes required by the Department of Revenue.
- The Alcoholic Beverage Commission will require one new administrative assistant to handle the administrative duties associated with the licensing of out of state wineries. The recurring cost for salary and benefits for this position is \$33,600. The one-time cost for supplies associated with the position is \$4,800.
- Four types of taxes will be impacted by this bill. The excise tax on wine, state sales tax, local sales tax, and the enforcement tax on the sale of alcoholic beverages.
- Wine sales are subject to a \$1.21 per gallon excise tax. FY09-10 collections are estimated to be approximately \$10,200,000. FY10-11 collections are estimated to be approximately \$10,300,000.
- FY09-10 state sales tax collections are estimated to be approximately \$21,000,000. FY10-11 state sales tax collections are estimated to be approximately \$21,500,000.
- FY09-10 local sales tax collections are estimated to be approximately \$7,500,000. FY10-11 local sales tax collections are estimated to be approximately \$7,600,000.
- The provisions of the bill will result in a 25% percent increase in excise, state, and local taxes.
- Because retailers are required by the bill to remit taxes on the total amount of tax due on sales for the calendar year, and the bill takes effect in the middle of a calendar year, first year collections will only reflect sales for half of one year.

- The increase in excise tax revenue for FY09-10 is estimated to be approximately \$1,275,000 ($\$10,200,000 \times 25\% \times .5 = \$1,275,000$).
- The increase in excise tax revenue for FY10-11 and subsequent years is estimated to be approximately \$2,575,000 ($\$10,300,000 \times 25\% = \$2,575,000$).
- The increase in state sales tax revenue for FY09-10 is estimated to be approximately \$2,625,000 ($\$21,000,000 \times 25\% \times .5 = \$2,625,000$).
- The increase in state sales tax revenue for FY10-11 is estimated to be approximately \$5,375,000 ($\$21,500,000 \times 25\% = \$5,375,000$).
- The increase in local sales tax revenue for FY09-10 is estimated to be approximately \$937,500 ($\$7,500,000 \times 25\% \times .5 = \$937,500$).
- The increase in local sales tax revenue for FY10-11 is estimated to be approximately \$1,900,000 ($\$7,600,000 \times 25\% = \$1,900,000$).
- Current law authorizes a \$0.15 per case tax upon the sale of alcoholic beverages sold at wholesale in Tennessee. FY 09-10 collections attributable to wine sales are estimated to be approximately \$470,000. FY10-11 revenue from this tax attributable to wine sales is estimated to be approximately \$480,000. Because the provisions of the bill would allow consumers to make retail purchases from out of state, there is anticipated to be a decline in wholesale sales and subsequent collection of this tax. It is assumed that 50 percent of the revenue generated from this tax is attributable to wine sales. It is further assumed that there would be a five percent decrease in wholesale sales subject to this tax. Therefore, in FY09-10 there is estimated to be a decrease in state revenues of approximately \$11,750 ($\$470,000 \times .05 \text{ decrease} \times .5 = \$11,750$). In FY10-11 there is estimated to be a decrease in state revenue of approximately \$24,000 ($\$480,000 \times .05 = \$24,000$).
- The bill authorizes a \$300 fee for new licensees shipping wine directly to consumers. Assuming 500 new licenses are sold there would be a one-time increase in state revenue of \$150,000 ($\$300 \times 500 = \$150,000$) in FY09-10.
- The bill requires a \$150 annual renewal fee for licensees shipping wine directly to consumers. Assuming 500 renewals per year in FY09-10 and thereafter, the recurring increase in state revenue is estimated to be \$75,000 ($\$150 \times 500 = \$75,000$).
- The net increase in state revenue to the General Fund for FY09-10 is estimated to be approximately \$3,888,200 ($\$1,275,000 + \$2,625,000 - \$11,800 = \$3,888,200$).
- The net increase in state revenue to the General Fund for FY10-11 is estimated to be approximately \$7,926,000 ($\$2,575,000 + \$5,375,000 - \$24,000 = \$7,926,000$).
- The FY09-10 increase in state revenue to the ABC Fund attributable to new licensee fee revenue is estimated to be \$150,000.

- The FY10-11 and thereafter increases in state revenue to the ABC Fund attributable to licensee renewal are estimated to be \$75,000.
- The increase in local government revenue for FY09-10 is estimated to be approximately \$937,500.
- The increase in local government revenue for FY10-11 and thereafter is estimated to be approximately \$1,900,000.
- Any increase in state revenue attributable to fines collected in association with the Class E felony established by the bill is estimated to be not significant.
- The language added to the bill by amendment 006131 will not have a fiscal impact on state or local government.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/cce